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IN THE

Supreme Court of the United States

OCTOBER TERM, 1945

NO. [redacted] 28

ALPINE MacGREGOR, Petitioner,

v.

WESTINGHOUSE ELECTRIC & MANUFACTURING COMPANY, a Corporation, Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE SUPREME COURT OF THE STATE OF PENNSYLVANIA AND BRIEF IN SUPPORT THEREOF.

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IN THE

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OCTOBER TERM, 1945

NO. .....

ALPINE MACGREGOR, Petitioner,

v.

WESTINGHOUSE ELECTRIC & MANUFACTURING COMPANY, a Corporation, Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE SUPREME COURT OF THE STATE OF PENNSYLVANIA.

To the Honorable, the Chief Justice and Associate Justices of the Supreme Court of the United States:

Your petitioner, Alpine MacGregor, respectfully prays for a writ of certiorari to the Supreme Court of the State of Pennsylvania, being the highest Court of said State, to review the final judgment of that Court (R. 396), rendered on petitioner's second appeal to said Court, which judgment was entered and filed June 29, 1945 affirming the decision of said Court (reported 38 A. 2d 244, R. 353) entered June 30, 1944 on petitioner's first appeal to said Court. By its decision the said Court held that petitioner was estopped to attack the legality

of a patent royalty contract containing price fixing provisions, in an action for an accounting.

Questions Involved.

1. Did the action of the Supreme Court of Pennsylvania in the decision aforesaid, holding petitioner estopped to attack the validity of the licensed patent, deprive petitioner of the right to prove illegality of a patent royalty contract containing price fixing provisions, in violation of the Sherman Act, under the decision of this Court in *Sola Electric Co. v. Jefferson Electric Co.*, 317 U.S. 173?

2. Did the action of the Supreme Court of Pennsylvania in the decision aforesaid, by application of the so-called "Blue Pencil Rule" to strike the price fixing provisions from a patent royalty license for the purpose of enforcing the agreement, do violence to this Court's decision in *Sola Electric Co. v. Jefferson Electric Co.*, 317 U.S. 173?

3. Is the aforesaid decision by the Supreme Court of Pennsylvania, concluding that the doctrine of estoppel may be invoked against petitioner's right to attack the validity of the patent licensed in an agreement containing price fixing provisions, in conflict with the Sherman Act's prohibition of price fixing and this Court's decision in *Sola Electric Co. v. Jefferson Electric Co.*, 317 U.S. 173?

These questions were raised and relied upon by petitioner in the courts below; see appendix, page 11, to this petition.

Statement of the Case.

This is an action *in assumpsit* for accounting under a patent royalty license tried in the Common Pleas Court, Allegheny County, Pittsburgh, Pennsylvania, without a jury.

The statement of claim (R. 6 a) alleges a license agreement (R. 195 a) dated November 16, 1937 between respondent and petitioner under Jones patent No. 1,651,709 dated December 6, 1927 (R. 333 a) covering the selling of brazing solders as described and claimed in the said patent. The statement of claim further alleges that said license was entered into by the parties in compromise of a patent infringement suit. The license provides, *inter alia*, that petitioner pay respondent a royalty of 10% of the net selling price of brazing solders as established by price schedules[1] furnished by respondent in conformity with paragraphs 5 and 6[2] of the license agreement.

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[1] Such price schedules were furnished for both distributor and user selling prices with the request they be maintained by petitioner under the provisions of sections 5 and 6 of the license agreement (R. 197 a, 198 a).

[2] Paragraphs 5 and 6 of the license agreement read as follows:

"5. WESTINGHOUSE grants this license on the express condition that the prices, terms and conditions of sale for use or sale in the United States of America, its territories and possessions of brazing solders embodying the invention covered by said Letters Patent and so long as such brazing solders continue to be covered by said patent, shall be no more favorable to the customer than those which from time to time WESTINGHOUSE establishes and maintains for its own sales of similar or competing brazing solders under such patent to such or other similarly situated customer purchasing in like quanti-

Respondent charges that in conformity with said license petitioner had paid royalties on a solder containing copper, phosphorus and tin, but that petitioner had refused to pay such royalties on a solder containing copper, phosphorus and silver, and that upon respondent's request for the payment of royalty on the latter, petitioner also refused to thereafter pay the royalties for the solder containing copper, phosphorus and tin.

The answer (R. 14 a) denies that petitioner's solder containing copper, phosphorus and tin, and copper, phosphorus and silver, comes under respondent's patent and within the terms of the license agreement, and denies that petitioner is accountable to respondent for any royalties as charged in the complaint.

The answer further avers that during the prosecution of the application that has matured into patent 1,651,709, respondent so distinguished the invention of that patent from the prior art cited by the Patent Office that it is estopped from asserting the patent to embrace

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ties. MACGREGOR shall be notified of all such prices, terms and conditions of sale fixed by WESTINGHOUSE.

The prices, terms and conditions of sale of WESTINGHOUSE may be changed by WESTINGHOUSE from time to time, notice being given MACGREGOR, but not less than five days' notice shall be given before any such change shall go into effect.

6. It is agreed that it shall be regarded as an evasion of this agreement amounting to a breach thereof for MACGREGOR to reduce WESTINGHOUSE'S sale price or alter WESTINGHOUSE'S selling terms and conditions of sale directly or indirectly either through its own organization, its agents or others by any device, subterfuge or evasion or by any means whatever or to make the prices lower or the terms or conditions more favorable than those set forth by WESTINGHOUSE."

within its scope solder comprising copper, phosphorus and tin or silver, or any materials other than copper and phosphorus as disclosed in the patent.

Petitioner's answer contains a set-off and counterclaim (R. 20 a) requesting repayment of royalties heretofore paid and further averring that if respondent's patent be construed to cover brazing solders containing tin and silver it is invalid and void because the alleged invention purported to be patented thereby does not constitute patentable knowledge or invention within the meaning of the Patent Laws in view of the prior state of the art and because of respondent's admission that the alloy purported to be covered by the patent is old.[3]

The answer further avers that because of the price fixing provisions of the license agreement it is illegal and void and in violation of the anti-trust laws, namely, the Sherman and Clayton Acts, because the licensed

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[3] The licensed patent to Jones 1,651,709 (R. 333 a) is for an alloy of copper and phosphorus, the preferred composition, as stated in the patent, being 8.2% of phosphorus and the remainder copper, which melts at 707° C. This exact proportion of copper and phorphorus is known as the eutectic alloy of copper and phosphorus and is fully disclosed in the prior publication "Metallic Alloys" of 1913, by Gulliver (R. 229 a). Respondent in its brief below admitted that the alloy was old *per se* but argued that the invention was in the use of the alloy as a solder. Respondent there said:

> "For example, plaintiff could not now claim that the Jones patent covers copper-phosphorus alloys generally, for as defendant's brief has pointed out at page 21 Jones admitted that such alloys *per se* were old before his invention. He specifically agreed that his invention is restricted to the solder described in the claims, as distinguished from copper-phosphorus alloys generally."

patent is *prima facie* invalid and the license evidences an illegal use of respondent's patent monopoly (R. 24 a, 25 a).

After filing of the complaint in the state court, petitioner filed a declaratory judgment suit in the United States District Court for the Western District of Pennsylvania, asking that the patent be declared invalid and the license contract illegal. This suit was dismissed by motion of respondent on the ground that the state court having jurisdiction of the case could pass upon the question of validity of the patent and could dispose of the question of violation of the Sherman Act.

In the subsequent trial of the issues in the state court, the court refused testimony and exhibits as proof of invalidity of the patent (R. 99 a, 102 a), the court holding (R. 268 a) "that defendant, being a licensee, and the price fixing clauses of the license not being in suit, is estopped to attack the validity of the patent under which he is licensed and as between the parties" the patent is valid.

On appeal to the Supreme Court of the State of Pennsylvania, the trial court was affirmed on the ground that the price fixing provision of the license agreement was not involved in the litigation to recover royalties and that the decision by this Court in *Sola Electric Co. v. Jefferson Electric Co., supra,* does not preclude the respondent from invoking the doctrine of estoppel.[4]

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[4] The Pennsylvania Supreme Court said:

"The price-fixing clause is not in issue. It is raised merely as a defense to a suit for accounting and payment of accrued royalties. The legality, the enforceability of the price-fixing clause is a moot question. We therefore do not propose to declare the Jones patent invalid. Whether the price-fixing

The Court below, in reference to its former decision in *Angier v. Eaton, Cole & Burnham Co.*, 98 Pa. 594, held that it is a recognized principle applicable to patent licenses that while the patent is apparently valid and the licensee is enjoying the benefit of its supposed validity, he is bound to pay the stipulated royalty, and cannot set up as a defense the actual invalidity of the patent.

The Supreme Court of Pennsylvania ignored the recent decision by the Seventh Circuit Court of Appeals in *Chicago Metallic Manufacturing Co. v. Katzinger Co.*, 139 F. 2d 291, construing this Court's decision in *Sola Electric Co. v. Jefferson Electric Co.*, to the effect that a licensee sued for royalty under a patent license may prove illegality of the license by establishing invalidity of the patent so long as such license contains price fixing provisions, irrespective of whether the licensor is attempting to enforce such price fixing provisions.

On the 19th day of August, 1944, petitioner filed a petition in this Court for writ of certiorari to the Supreme Court of Pennsylvania, seeking a review of that court's decision, which petition was denied on October 23, 1944 with the statement "for want of a final judgment". Petitioner, in compliance with the order and judgment of January 24, 1944, rendered an accounting on which the Court entered judgment (R. 390) in favor of the respondent in the sum of $15,485.96, from which judgment a second appeal was filed in the Supreme Court of the State of Pennsylvania, which Court, on the

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clause in the license is legal or invalid is not before this Court. It is our judgment that the decision of the Sola case does not control or determine the instant case."

29th day of June, 1945, rendered and filed its opinion affirming the judgment in accordance with the opinion filed by said Court in the first appeal (R. 396).

The issues herein sought to be reviewed were decided by the Supreme Court of Pennsylvania in the first appeal, which said decision, by reference thereto, is incorporated in the opinion of said Court in the second appeal.[5]

Reasons for Allowance of the Writ.

I. Because the decision of the Supreme Court of the State of Pennsylvania is in conflict with the decision of this Court in *Sola Electric Co. v. Jefferson Electric Co.*, 317 U.S. 173.

II. Because the decision of the Supreme Court of the State of Pennsylvania is in conflict with the decisions

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[5] In *Great Western Telegraph Co. v. Burnham*, 162 U.S. 339, this Court held that although on the second appeal the highest court of the state refuses to reconsider the questions raised on the first appeal, on the ground that its prior decision has become the law of the case, this does not conclude the Supreme Court from considering on appeal from the second judgment questions decided by the state court only on the first appeal; *McComb v. Commissioners of Knox County*, 91 U.S. 1; *Green Bay & Miss. Canal Co. v. Patten Paper Co.*, 172 U.S. 58; *Chesapeake & Ohio Ry. Co. v. McCabe*, 213 U.S. 207, 214; *Louisiana Navigation Co. v. Oyster Commission of Louisiana*, 226 U.S. 99, 101; *Coe v. Armour Fertilizer Works*, 237 U.S. 413, 418, 419; *Grays Harbor Logging Co. v. Coats-Fordney Logging Co.*, 243 U.S. 251; *Southern Railway Co. v. Clift*, 260 U.S. 316, 319; *Georgia Ry. & Power Co. v. Decatur*, 262 U.S. 432, 435; *Prudential Ins. Co. of America v. Cheek*, 259 U.S. 530, 534; *Gant v. Oklahoma City*, 289 U.S. 98, 100, 101.

of other federal courts, the Seventh Circuit Court of Appeals in *Chicago Metallic Manufacturing Co. v. Katzinger Co.*, 139 F. 2d 291, and the District Court, District of Massachusetts, in *American Optical Co. v. New Jersey Optical Co.*, 50 F. Supp. 806.

III. Because the Supreme Court of Pennsylvania has decided a federal question of substance in a way not in accord with the applicable decisions of this Court.

The Importance of the Question.

Clarification and extension of the rule of the *Sola* case, *supra*, appears to be necessary in the public interest. While the decision of the Supreme Court of Pennsylvania is unanimous, it is in direct conflict with the decision of the Seventh Circuit Court of Appeals in the *Chicago v. Katzinger* case, *supra*, both Courts being courts of last resort, and the circumstance that the aforesaid decisions of the highest court of the State of Pennsylvania and the Seventh Federal Judicial Circuit are irreconcilable is serious. If the decision below is allowed to stand it becomes the machinery for enforcing a fraudulent scheme to violate the Sherman Act and abuse the patent privilege.

WHEREFORE your petitioner respectfully prays that a writ of certiorari be issued out of and under the seal of your Honorable Court directed to the Supreme Court of Pennsylvania, commanding that Court to certify and send to your Honorable Court for review and determination, on a day certain therein to be named, a full and complete transcript of the record of all proceedings in the case numbered and entered on its docket

as No. 172 March Term, 1945 (which includes the transcript and record of all proceedings in this case in the first appeal numbered and entered on its docket as No. 124, March Term, 1944), entitled Westinghouse Electric & Manufacturing Co., a corporation, v. Alpine MacGregor, Appellant, and that the judgment of said Court, entered June 29, 1945, be reversed by your Honorable Court, and that your petitioner may have such other and further relief in the premises as to your Honorable Court may seem meet and just.

Respectfully submitted,

WILLIAM B. JASPERT,
Attorney for Petitioner.

APPENDIX TO PETITION FOR CERTIORARI.

(Questions Presented to Supreme Court of Pennsylvania)

Statement of Questions Involved.

Where a patent owner sues his licensee for an accounting of royalties under a license:

1. May the court give to the patent in suit a scope inconsistent with the disclosure of the patent and to cover subject matter disclaimed by the patentee in the Patent Office? (*Affirmed*)

2. Is defendant permitted to show that the patent under which he is licensed cannot be construed to cover the articles for which plaintiff seeks an accounting? *(Negatived)*

3. May the defendant offer proof of the illegality of the license including proof of invalidity of the patent if the license contains price-fixing provisions? *(Negatived)*

4. May the court apply the so-called "Blue Pencil Rule" to strike out the price-fixing provisions of the license and decree an accounting for royalties established by such price-fixing provisions? *(Affirmed)*

5. May the court by applying local rules of estoppel compel defendant to account under a patent which is *prima facie* invalid? (*Affirmed*)

6. Is defendant permitted to show that the claims of the patent in suit have no utility and do not define any invention within the meaning of Section 4888 of the Revised Statutes (U.S.C., Title 35, Sec. 33)? *(Negatived)*

BRIEF IN SUPPORT OF PETITION

Opinions of the Courts Below.

The opinions of Judge Soffel of the Common Pleas Court of Allegheny County, Pennsylvania, appear at pages 253a and 384 of the record, as tendered to the Supreme Court of Pennsylvania. The opinion of Mr. Justice Maxey of the Supreme Court of Pennsylvania in the first appeal is reported 38 A. 2d 244, and appears at page 353 of the record; and his opinion in the second appeal is unreported and appears at page 396 of the record.

Jurisdiction.

The grounds of jurisdiction are:

(1) The final judgment of the Supreme Court of Pennsylvania was entered June 29, 1945 (R. 396), which judgment by reference is in accordance with that Court's judgment in the first appeal entered June 30, 1944 (R. 353), reported 38 A. 2d 244.

(2) The statute under which the jurisdiction is invoked is 28 U.S.C.A. 344, Jud. Code 237(b), as amended. Cases believed to sustain the jurisdiction are *Palmer Clay Products Co. v. Brown*, 297 U.S. 227; *Minnie v. Port Huron Terminal Co.*, 295 U.S. 647, 648; *Noble v. Oklahoma City*, 297 U.S. 481; *Gilvary v. Cuyahoga Valley Ry. Co.*, 292 U.S. 57; *Fox Film Corp. v. Muller*, 296 U.S. 207; *Penn General Casualty Co. v. Pennsylvania ex rel. Schnader*, 294 U.S. 189; *Vulcan Mfg. Co. v. Maytag Co.*, 293 U.S. 553.

Statement.

The facts are sufficiently stated in the petition.

Specifications of Error.[6]

The errors which petitioner will urge, if the writ of certiorari is granted, are that the Supreme Court of the State of Pennsylvania erred in holding:

1. That this Court's decision in *Sola Electric Co. v. Jefferson Electric Co.*, 317 U.S. 173, does not govern the decision of any issue raised in this case, and that the decision in the *Sola* case does not preclude the plaintiff-respondent from invoking the doctrine of estoppel.

2. That to grant the prayer for an accounting does not result in anything which is prohibited by the federal anti-trust laws.

3. That whether the price fixing clause in the license is legal or invalid was not in issue, but if so could be stricken by application of the "Blue Pencil Rule" for the purpose of decreeing an accounting.

4. That while a patent is apparently valid and the licensee is enjoying the benefit of its supposed validity, he is bound to pay the stipulated royalty and cannot set up as a defense the actual invalidity of the patent.

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[6] The assignments of error and the opinion of the Supreme Court of Pennsylvania clearly establish that Federal questions are involved, and passed upon and decided by the State court.

Summary of Argument.

The points of argument follow the reasons relied upon for the allowance of the writ.

Argument.

The merits of this case are presented in the opinion of the Supreme Court of the State of Pennsylvania in the first appeal, 38 A. 2d 244 (R. 353) which, by reference, is incorporated in the opinion by said Court in the second appeal (R. 396), and also in the petition, *supra* (p. 5).

POINT I.

The Decision of the Supreme Court of the State of Pennsylvania Is in Conflict With the Decisions of This Court.

In *Sola Electric Co. v. Jefferson Electric Co.*, 317 U.S. 173, this Court had before it the question of whether or not a licensee was estopped to challenge the validity of the licensed patent in a suit for an accounting where such license contains price fixing provisions, and whether the doctrine of estoppel is so in conflict with the Sherman Act's prohibition of price fixing, that this Court may resolve the question even though its conclusion be contrary to that of a state court. Mr. Chief Justice Stone, speaking for the Court, said (p. 173):

> "Agreements fixing the competitive sales price of articles moving interstate, not within the protection of a patent, are unlawful because prohibited by the Sherman Act.
>
> * * * * * * *

"* * * petitioner may assert the illegality of the price-fixing agreement and may offer any competent evidence to establish its illegality, including proof of the invalidity of the patent.

The Supreme Court of Pennsylvania attempts to distinguish the case at bar from the *Sola* case by holding that in the latter the patent owner was attempting to enforce the maintenance of prices fixed in accordance with the terms of the license. If that were the full import of that decision the pronouncement by this Court that patent licenses containing price fixing provisions are illegal and a violation of the Sherman Act, save only when supported by a valid patent, would have no significance so long as the patent owner did not request a court to enforce the price fixing provisions *per se*. It was obviously not the intention to distinguish between illegal agreements on the basis of the use made of such agreements. As we read the *Sola* decision, this Court pronounced that the public policy of the Sherman Act condemns the practice of price fixing of articles entering interstate commerce except only when such articles are within the scope of a valid patent monopoly.

Respondent apparently is of a like view because after the trial of this case but before the decision was handed down, it sent petitioner a telegram purporting to cancel the price fixing clauses, paragraphs 5 and 6 of the license agreement.[7]

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[7] "Pittsburgh Pa Apr 12

ALPINE MACGREGOR CARE ALLOY SPECIALTY CO
2141 WAVERLY ST

REFERRING TO THE LICENSE AGREEMENT EXECUTED NOVEMBER 19 1937 BY AND BETWEEN WESTINGHOUSE ELECTRIC AND MFG CO AND ALPINE MACGREGOR

The trial court, in avoidance of the *Sola* decision, held (R. 268 a.) (Conclusion of Law No. 11):

> "As between these parties the Jones patent No. 1,651,709 is valid, and the license agreement is legal and enforceable."

And further held that if the price fixing clauses are illegal they could be stricken from the agreement by application of the so-called "Blue Pencil Rule", recognized by the Supreme Court of Pennsylvania, *Smith's Appeal,* 113 Pa. 579; *Monongahela, etc. v. Jutte,* 210 Pa. 288, with no effect on the obligation to pay royalty.

It is well settled law that the "Blue Pencil Rule" may not be applied to contracts violating state or federal statutes in contravention of the public policy of such statute. In *Hazelton v. Scheckles,* 202 U.S. 71, 78, Mr. Justices Holmes, speaking for the Supreme Court, said:

> "Every part of the consideration goes equally to the whole promise and therefore, if any part of it is contrary to public policy, the whole promise fails."

In *Western Indemnity Co. v. Crafts,* 240 F. 1, 7, the Circuit Court of Appeals for the Sixth Circuit after

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UNDER UNITED STATES PATENT 1651709 WE WISH TO NOTIFY YOU THAT EFFECTIVE APRIL 17 1943 THE WESTINGHOUSE ELECTRIC AND MFG CO HEREBY WAIVES DURING THE TERM OF THE AFORESAID AGREEMENT ARTICLES 5 AND 6 THEREOF RELATING TO PRICES TERMS AND CONDITIONS OF SALE AND HEREBY WITHDRAWS ALL SCHEDULES OF PRICES TERMS AND CONDITIONS OF SALE UNDER SAID AGREEMENT NOW IN FORCE

J B SEASTONE

WESTINGHOUSE ELECTRIC AND MFG CO"

quoting from *Hazelton v. Scheckles* said, with reference to a state statue:

> "The statute clearly implies a rule of public policy which is condemnatory of such a scheme, and the effect of this was to taint the very consideration upon which the indemnity contract was founded.
>
> * * * * * * *
>
> "See also, *McMullen v. Hoffman,* 174 U. S. 639, 654, 19 Sup. Ct. 839, 43 L. Ed. 1117; *Oscanyan v. Arms Co.,* 103 U. S. 261, 268 et seq., 26 L. Ed. 539; *Arnold v. Clifford,* Fed. Cas. No. 555, C. C., decided by Mr. Justice Story on circuit."

Jones Patent 1,651,709 Prima Facie Invalid.

(a) By claiming old product in terms of its use or function.

If the price fixing provisions cannot be stricken then legality of the license can be determined only with reference to the validity of the Jones patent, which is *prima facie* invalid under the law pronounced by this Court because it is for an alleged new use of an admittedly old alloy. In *Holland Furniture Co. v. Perkins Glue Co.,* 277 U.S. 245, Mr. Chief Justice Stone, speaking for this Court, said:

> "* * * the attempt to broaden product claims by describing the product exclusively in terms of its use or function is subject to the same vice as is the attempt to describe a patentable device or machine in terms of its function. As a description of the invention it is insufficient and if allowed would extend the monopoly beyond the invention. * * * Cochran v. Badische, 112 U.S. 293."

This is the well settled law of this Court as pronounced in *Miller and others v. Foree,* 116 U.S. 22; *Brown v. Piper,* 91 U.S. 37; *Knapp v. Morss,* 150 U.S. 221; *Aron v. Manhattan Railway Co.,* 132 U.S. 84; *Ansonia Brass & Copper Co. v. Electrical Supply Co.,* 144 U.S. 11.

The rule of law was specifically applied to a composition of matter, such as the alloy here, in *Kaumagraph Co. v. Superior Trade Mark Mfg. Co.,* 72 F. 2d 417, wherein the Second Circuit Court of Appeals said:

> "A patent for a composition of matter covers the composition described and claimed, but not every use or function of it. A description of such a composition in terms of its use or function would not be sufficient to make it patentable. Holland Furniture Co. v. Perkins Glue Co., 277 U.S. 245."[8]

Under the foregoing authorities the mere use of an old alloy for soldering is not patentable invention and the Jones patent herein licensed is *prima facie* invalid.

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[8] In the prosecution of his application in the United States Patent Office, when rejected on the publication to Gulliver, "Metallic Alloys" (R. 229 a), applicant admitted that the composition of his alloy was old. He said (R. 210 a):

> "Applicant admits that he is not the first to produce a copper phosphorus alloy of this approximate composition but believes that he has discovered new properties of such alloy which make it especially adapted for application in soldering."

Respondent in its brief below made a like admission, as quoted in the footnote p. 5 of the petition, but it contended that the invention resides in the use of the old alloy for soldering.

(b) As not claiming any invention described or shown in the patent.

The claims of the Jones patent are further invalid as not being for any invention described or shown in the patent. The claims originally filed in the Patent Office, numbered 3, 4 and 8 (R. 208 a), for the only alloys described in the patent were canceled after rejection and claims 1 to 4 of the patent here in suit are *prima facie* invalid as not being for any invention described or shown in the patent[9]; *Edison v. Amer. Mutoscope Co.*, 114 F. 926, 934, C.C.A. 2; *State Bank of Chicago v. Hillman's*, 180 F. 732, C.C.A. 7; *Taggart v. Bremner*, 295 F. 506, C.C.A. 7; *Republic Iron and Steel Co. v. Youngstown S. & T. Co.*, 272 F. 386, 390, C.C.A. 6; *Benoit v. Wadley Co.*, 54 F. 2d 1041, 1043, C.C.A. 7 (1932); *Weil Pump Co. v. Chicago Pump Co.*, 74 F. 2d 13, 17, C.C.A. 7 (1934); *Consolidated Motor Parts v. Nat. Motor Bearing Co.*, 80 F. 2d 97, 99 C.C.A. 2 (1935); *Ingersoll Steel & Disc Co. v. Budd Wheel Co.*, 67 F. 2d 753, 757, C.C.A. 7 (1933). The patent monopoly otherwise would thus be extended

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[9] The only alloys mentioned in the patent specification as useful for soldering are, copper and phosphorus containing (a) 10% or less phosphorus, (b) containing from 6% to 9% phosphorus, (c) containing 8.27% phosphorus which melts at about 707°C. As shown by the file history of the patent (R. 208 a) the original claims 3, 4 and 8, as filed in the Patent Office and cancelled, were directed to these alloys in the order named and read as follows:

"3. A solder comprising an alloy of copper and phosphorus containing less than 10% of phosphorus.

"4. A solder comprising an alloy of copper and phosphorus containing about 6% to 9% of phosphorus.

"8. A solder comprising a eutectic alloy of copper and phosphorus containing 8.27% phosphorus which melts at 707°C."

beyond the discovery and would discourage rather than promote inventions; *U. S. Ozone Co. v. U. S. Ozone Co.*, 62 F. 2d 881, 891, C.C.A. 7 (1932).

(c) As claiming an invention formally abandoned in the Patent Office.

It is fundamental patent law that a patentee is estopped from asserting his patent to cover subject matter canceled from the application during its prosecution in the Patent Office; *Royer v. Coupe*, 146 U.S. 524; *Corbin Cab Lock Co. v. Eagle Lock Co.*, 150 U.S. 38; *Hubbell v. U.S.*, 179 U.S. 77; *Morgan Envelope Co. v. Albany Perforated Wrapping Paper Co.*, 152 U.S. 425; *Keystone Driller Co. v. North West Eng. Co.*, 294 U.S. 42.

Claims 1 to 4 here in suit cannot be read without including the subject matter of the canceled claims.

In *Leggett v. Avery*, 101 U.S. 256, 259, Mr. Justice Bradley, speaking for the Court, said:

> "The allowance of claims once formally abandoned by the applicant, in order to get his letters patent through, is the occasion of immense frauds against the public."

(d) As failing to comply with Section 4888 of the Revised Statutes.

The claims of the patent are further invalid under recent decisions by this Court as failing to comply with Section 4888 of the Revised Statutes. In *General Electric Co. v. Wabash Appliance Corp.*, 304 U.S. 364, the Court said:

"We need not inquire whether Pacz exhibited inven-

tion, or whether his product was anticipated. The claim is invalid on its face. It fails to make a disclosure sufficiently definite to satisfy the requirements of R.S. Section 4888, 35 U.S.C. Sec. 33 * * *."

This case was followed in *United Carbon Co. v. Binney & Smith Co.*, decided by this Court on the same day as the *Sola* case, and reported 55 U.S.P.Q. 581.

Obviously the claims are indistinct both as to the range of proportions of the compositions employed and the temperature range at which they are to be used, none of the compositions or temperature ranges of the claims being described in the patent.

POINT II.

The Decision of the Supreme Court of the State of Pennsylvania Is in Conflict With Recent Federal Decisions.

The contention in the Court below that the *Sola* decision does not apply unless the enforcement of a price fixing provision is directly in issue is in conflict with the decision of the Seventh Circuit Court of Appeals in *Chicago Metallic Manufacturing Co. v. Katzinger Co.*, 139 F. 2d 291. In that case the District Court had likewise held that the *Sola Electric* case did not apply because price fixing had not been proven and there was further no proof that respondent attempted to carry out the price fixing provisions. The Court of Appeals, in reversing the District Court, said:

"The license agreement, Paragraph 11, supra, note 1, did provide for a clear price-fixing arrangement. The appellee will not be heard to say that it

really was not in favor of the provisions as to price-fixing contained in a written agreement it had signed, or that it did not practice price-fixing. The important thing is that the appellee had provided by contract for the right to fix prices. The agreement was plain and unambiguous. It is not claimed otherwise. There was no justification for the construction that the District Court put upon it to avoid the scope of the Supreme Court's opinion in the Sola case. By the plain provisions of the license agreement, there were arrangements for price-fixing. This was not a separable provision of the agreement, and it was, like the rest of the agreement, based upon a common consideration and was a part of the contract after notice of determination, though functus officio as to the future. The agreement was not purged of the deleterious effect of the price-fixing arrangement by notice of termination. The vice lay in its incorporation in the contract at all. A contract containing price-fixing provisions which do not have the protection of a lawfully granted patent monopoly is invalid, being a violation of the Sherman Anti-Trust Act, 15 U.S.C.A. §§ 1-7, 15 note, and no recovery may be had upon it. Continental Wall Paper Co. v. Louis Voight & Sons Co., 212 U.S. 227, 29 S. Ct. 280, 53 L. Ed. 486. Therefore, since the validity of the entire contract depends upon the validity of the patent, it is clear that no estoppel arising out of the contract can prevent an examination of the patent's validity.

"We decide on the authority of the Sola case, supra, that the appellant was not estopped to deny the validity of the patents, because the license agreement which provided for the estoppel carried

a provision for price-fixing. For that reason, no estoppel could arise."

In a case decided by the District Court, District of Massachusetts, July 9, 1943, *American Optical Co. v. New Jersey Optical Co.* (United States intervener), 50 F. Supp. 806, in an action for an accounting of royalties under patent license agreements containing price fixing provisions, plaintiff, as in the instant case, attempted to distinguish the case at bar from the *Sola* case by asserting that the *Sola* case applies only where the price fixing provision is in issue and not in an accounting for royalties, but the Court said:

"I am of the opinion that the Supreme Court intended no such distinction."

The decision by the Supreme Court of Pennsylvania in the case at bar is in direct conflict with the construction given this Court's decision in the *Sola* case by the Seventh Circuit Court of Appeals. Both courts are courts of last resort and we believe this vital federal question is of sufficient public importance to warrant review and clarification by this Court.

POINT III.

The Decision of the Court Below Is in Conflict With the Applicable Decisions of This Court.

The decision by the Court below is in conflict with the decisions of this Court holding that a patent is unenforceable unless the owner confines the use of his patent to the monopoly granted thereby; *Carbice Corp. v. American Patents Corp.*, 283 U.S. 27; *Leitch Mfg. Co. v. Barber Co.*, 302 U.S. 458; *Bauer & Cie. v. O'Donnell*, 229 U.S. 1; *Ethyl Gas. v. United States*, 309 U.S. 436;

Morton Salt Co. v. Suppiger, 314 U.S. 488; *Mercoid Corp. v. Mid-Continent Investment Co.,* 320 U.S. 661.

In reliance upon the price fixing provisions, paragraphs 5 and 6 of the agreement, respondent issued not only a distributor price list, Defendant's Ex. L (R. 234 a), but a user price list as well (R. 232 a), and instructed petitioner by letter dated July 11, 1940 (R. 231 a) to enforce both the user and distributor price and discount sheets.[10]

Petitioner testified (R. 84 a to 88 a) that he was requested to maintain the list prices and to get his distributor, Corbett and Alfson, to adhere to the schedule on resale prices, and while respondent attempted by means of a self-serving letter, Plaintiff's Ex. 4 (R. 204 a), to deny that it had required petitioner to conform to the user price, petitioner testified in cross examination (R. 145 a) that respondent tried to force petitioner to maintain the resale price both before and after said letter was written by respondent's counsel.

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[10] Excerpt from letter dated July 11, 1940:

"Confirming our conversation with you today, we are handing you herewith copies of our revised User Price List 26-820, pages 1 and 2, and Distributor Price and Discount Sheets 26-826, pages 1, 2 and 3. These modified price and discount sheets are to be made effective August 1, 1940.

"In connection with this price form you of course understand your obligation to observe and follow these prices, terms, and conditions of sale established by Westinghouse in accordance with the provisions of paragraph 5 of our license agreement with you dated November 18, 1937. These prices are minimum and discounts are maximum and neither is to be bettered either directly or indirectly in any manner whatsoever."

The practice of maintaining the resale price of patented articles, even where the patent is valid, is condemned by this Court in *Bauer & Cie. v. O'Donnell*, 229 U.S. 1, where Mr. Justice Day, speaking for the Court, said (p. 17):

> "* * * it was the intention of Congress to secure an exclusive right to sell, and there is no grant of a privilege to keep up prices and prevent competition by notices restricting the price at which the article may be resold. The right to vend conferred by the patent law has been exercised, and the added restriction is beyond the protection and purpose of the act."

And in a recent decision *Ethyl Gas v. United States*, 309 U.S. 436, the Court said:

> "And by the authorized sales of the fuel by refiners to jobbers the patent monopoly over it is exhausted, and after the sale neither appellant nor the refiners may longer rely on the patents to exercise any control over the price at which the fuel may be resold."

The facts of this case clearly reveal such conduct by respondent as would render its patent unenforceable, and by the present suit, respondent is asking the Court to lend aid in the furtherance of its illegal practices.

Conclusion.

The instant suit is a fraud upon petitioner and the public. It is a premeditated scheme to deprive petitioner of his rights to the enjoyment of free enterprise and trade and to destroy a competitor. The decision below imposes an unjust burden for payment upon petitioner, and, unless reversed, becomes the machinery for enforcing a fraudulent scheme to abuse the patent privilege.

The petition for a writ of certiorari to the Supreme Court of Pennsylvania should be granted.

Respectfully submitted,

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